

STATE OF HAWAII - DEPARTMENT OF TAXATION
SUBLEASE DEDUCTION WORKSHEET

(Do NOT file this worksheet with the Department of Taxation. Keep it for your records.)

Lessee's Name _____ Lessee's G.E. ID. No. _____

Lessor's Name _____ Lessor's G.E. ID. No. _____

Description of real property or space leased _____

COMPUTATION OF SUBLEASE DEDUCTION:

1. Amount of rent you paid to the lessor for the real property or space leased.
(If you sublease less than 100% of the real property or space that you leased
from the lessor, see Instructions.)..... _____
2. Allowable rate used in computing the deduction (see Instructions)..... _____
3. Multiply line 1 by line 2. This is your maximum allowable deduction _____
4. Amount of rent you received from the sublease of the same real property or space..... _____
5. **Sublease deduction.** Enter the smaller of line 3 or line 4 here. Include this amount
on Form G-45, line 14 or 15, column b; or on Form G-49, line 14 or 15, column b _____

GENERAL INSTRUCTIONS

Section 237-16.5, Hawaii Revised Statutes (HRS), allows a sublessor to reduce the amount of gross proceeds or gross income received under a written lease of real property by a specified percentage of the amount the sublessor pays to its lessor for the same real property in determining the gross proceeds or gross income subject to the general excise tax.

The requirements for the sublease deduction are as follows:

(1) The lessor must submit Form G-71, General Excise Sublease Deduction Certificate, to the lessee certifying that the lessor is licensed and taxable under the General Excise Tax Law;

(2) The lessee must be licensed and taxable under the General Excise Tax Law;

(3) The lessee must report the amount paid to the lessor, the amount of the sublease deduction, and the name and general excise tax number of the lessor on the lessee's general excise tax return in lieu of filing a copy of Form G-71 with the general excise tax return;

(4) The lessee's sublease deduction is limited to leases and subleases in writing and related to the same real property or space; and

(5) The lessee must compute the allocations with no allowances for changes during the specified term of the sublease, provided that this requirement shall not apply to a lease with terms that vary in the amount of periodic rent due, including a percentage lease with fixed minimum rent, a

percentage lease with no minimum rent, a combination percentage lease with fixed minimum rent or percentage leases with no minimum rent, whichever amount is higher, or a graduated or step-up lease.

For purposes of the sublease deduction:

Lessee means one who holds real property under a lease, and includes a sublessee. A lessee or sublessee includes a sublessor subject to both the tax and applicable deduction under section 237-16.5, HRS, provided real property or space is conveyed by a sublease.

Lessor means one who conveys real property by a lease, and includes a sublessor. A lessor does not include a person who is not subject to the taxes imposed by chapter 237, HRS, or a person whose gross proceeds or gross income from leasing the real property or space is not taxable under chapter 237, HRS.

Sublessee means one who holds real property under a sublease.

Sublessor means one who conveys real property by sublease under a lease. A sublessor includes a lessee subject to both the tax and applicable deduction as determined under section 237-16.5, HRS, provided a sublease is conveyed.

For more information, see section 18-237-16.5, Hawaii Administrative Rules.

(Continued on back)

SPECIFIC INSTRUCTIONS

Note: Use this worksheet to calculate the amount of the sublease deduction to claim on your monthly, quarterly, semi-annual, or annual general excise tax return. Use a separate worksheet for each real property or space for which you are claiming the deduction.

Line 1 - Enter the amount of rent you paid to the lessor for the real property or space leased.

If you sublease less than 100% of the real property or space that you leased from the lessor, you must allocate the total amount of rent you paid for that real property or space based upon the percentage of the real property or space subleased, or the fair rental value of the real property or space subleased. The allocation may be based upon the percentage of the real property or space subleased when it is reasonable under the circumstances. If an allocation based upon the percentage of the real property or space subleased is not reasonable under the circumstances, you must allocate the total amount of rent you paid for the real property or space subleased based upon the fair rental value.

Example A: Lessor A leases real property X to lessee B for \$1,000 a year and lessee B subleases the same real property X to sublessee C for \$2,500 a year. Since lessee B subleases 100% of real property X to sublessee C, lessee B would enter \$1,000 on line 1.

Example B: Lessor A leases real property X to lessee B for \$1,000 a year and lessee B subleases 50% of real property X to sublessee C for \$2,500 a year. Assuming there are no significant differences between the portion of X subleased by B and the portion not being subleased which would significantly affect the value of the respective portions of X, an allocation based upon the percentage of area of X being subleased would be reasonable. In this case, lessee B would enter \$500 (\$1,000 rent paid to lessor A x 50%) on line 1.

Example C: Lessor A leases real property X to lessee B for \$1,000 a year. Real property X constitutes ground floor retail real property or space (which has a rental value of \$800) and upper floor office real property or space (which has a rental value of \$200) equal in size to the ground floor retail real property or space under lease. Lessee B subleases only the upper floor real property or space to sublessee C for \$2,500 a year. An allocation based upon the percentage of area of X being subleased would not be a reasonable allocation method under these circumstances.

An allocation based upon the fair rental value of X would be reasonable. In this case, lessee B would enter \$200 (the portion of the \$1,000 rent paid to lessor A allocable to the upper floor real property or space) on line 1.

Line 2 - Enter the allowable rate used in computing the deduction. The allowable rate to be used in computing the sublease deduction is as follows:

For gross proceeds or gross income paid in
the months of October, November, and
December, 19980.125
In calendar year 19990.25
In calendar year 20000.375
In calendar year 20010.50
In calendar year 20020.625
In calendar year 20030.75
In calendar year 2004, and thereafter0.875

Line 3 - Multiply line 1 by line 2.

Line 4 - Enter the amount of rent you received from the sublease of the same real property or space.

Line 5 - Enter the smaller of line 3 or line 4. This is the amount of your sublease deduction to include on Form G-45, line 14 or 15, column b; or on Form G-49, line 14 or 15, column b.

WHERE TO GET INFORMATION

Oahu District Office

830 Punchbowl Street
P. O. Box 259
Honolulu, HI 96809-0259
Tel. No.: 808-587-4242
Toll-Free: 1-800-222-3229
TDD No.: 808-587-1418
TDD Toll-Free: 1-800-887-8974

Hawaii District Office

75 Aupuni Street, #101
P. O. Box 833
Hilo, HI 96721-0833
Toll-Free: 1-800-222-3229

Maui District Office

54 South High Street, #208
P. O. Box 1169
Wailuku, HI 96793-6169
Toll-Free: 1-800-222-3229

Kauai District Office

3060 Eiwa St., #105
Lihue, HI 96766-1889
Toll-Free: 1-800-222-6229

Tax information and forms:

www.state.hi.us/tax

Forms By Fax/Mail:

Telephone No.: 808-587-7572
Toll-Free: 1-800-222-7572